NorthPoint Energy Solutions Inc.

A subsidiary of SaskPower | Financial statements 2009

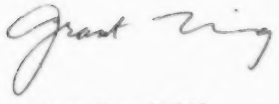
The financial statements of NorthPoint Energy Solutions Inc. (NorthPoint, the Corporation) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to February 1, 2010.

Management maintains appropriate systems of internal control which provide reasonable assurance that NorthPoint's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles.

On behalf of management,



Grant Ring, FCMA
President & Chief Executive Officer
February 1, 2010

Patricia Hall, CA
Chief Financial Officer

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of NorthPoint Energy Solutions Inc. as at December 31, 2009, and the statements of income and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
February 1, 2010

Statement of income and comprehensive income

(in thousands)

For the year ended December 31	2009	2008
Revenue		
Electricity trading (Note 4)	$ 73,292	$ 123,160
Electricity trading market value gains (Note 8)	100	–
SaskPower services	6,299	7,407
Other	176	900
Total revenue	79,867	131,467
Expense		
Electricity trading	67,630	106,218
Electricity trading market value losses (Note 8)	–	98
Administration	8,508	6,748
Total expense	76,138	113,064
Net income	3,729	18,403
Other comprehensive income	–	–
Total comprehensive income	$ 3,729	$ 18,403

See accompanying notes

Statement of retained earnings

(in thousands)

For the year ended December 31	2009	2008
Retained earnings, beginning of year	$ 8,232	$ 6,391
Net income	3,729	18,403
Dividends	(3,356)	(16,562)
Retained earnings, end of year	$ 8,605	$ 8,232

See accompanying notes

Statement of financial position

(in thousands)

As at December 31	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 23,497	$ 33,380
Accounts receivable	3,879	6,338
Prepaid expenses and deposits	948	2,004
Due from SaskPower	916	2,535
Risk management assets (Note 8)	–	469
Total assets	$ 29,240	$ 44,726
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,279	$ 9,363
Dividends payable	3,356	16,562
Risk management liabilities (Note 8)	–	569
Total liabilities	10,635	26,494
Equity		
Share capital (Note 9)	10,000	10,000
Retained earnings	8,605	8,232
Total equity	18,605	18,232
Total liabilities and equity	$ 29,240	$ 44,726

Commitments and contingencies (Note 11)

See accompanying notes

On behalf of the Board

Joel Teal
Chair

Mick MacBean
Director

Statement of cash flows

(in thousands)

For the year ended December 31	2009	2008
Operating activities		
Net income	$ 3,729	$ 18,403
Add items not involving cash:		
Electricity trading market value (gains)/losses	(100)	98
Net change in non-cash working capital:		
Accounts receivable	2,459	4,547
Prepaid expenses and deposits	1,056	(1,921)
Due to/from SaskPower	1,619	(3,189)
Accounts payable and accrued liabilities	(2,084)	1,593
	3,050	1,030
Cash provided by operating activities	6,679	19,531
Financing activities		
Dividends paid	(16,562)	(11,631)
Cash used in financing activities	(16,562)	(11,631)
(Decrease) increase in cash	(9,883)	7,900
Cash and cash equivalents, beginning of year	33,380	25,480
Cash and cash equivalents, end of year	$ 23,497	$ 33,380
Supplemental information		
Cash paid for capital tax	$ 3	$ 9

Notes to the financial statements

As at December 31, 2009

1. Status of the Corporation

NorthPoint Energy Solutions Inc. (NorthPoint, the Corporation) was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective October 17, 2001, and began operations November 1, 2001. NorthPoint is a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower). Accordingly, the financial results of NorthPoint are included in the consolidated financial statements of SaskPower.

NorthPoint has a service agreement with SaskPower authorizing NorthPoint to perform electricity trading functions related to the generation assets of SaskPower, to coordinate utility generation output, and to manage SaskPower's natural gas supplies for its natural gas-fired power plants. SaskPower services revenue provides approximately 8% (2008 – 6%) of NorthPoint's total revenue.

As a subsidiary of a provincial Crown corporation, NorthPoint is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are described in the following summary of significant accounting policies. Actual results could differ from those estimates, which may impact actual results reported in future periods.

(b) Revenue recognition

NorthPoint engages in wholesale electricity trading transactions which do not relate to the generation assets of SaskPower. NorthPoint acts as a principal in these electricity trading transactions, taking title to the electricity purchased for resale, and assuming the risks and rewards of ownership. NorthPoint also uses derivatives in its trading activities to earn trading revenues. Electricity trading revenue is recorded on a gross basis as delivered. Electricity trading revenue not billed by year-end is accrued based upon estimated electricity delivered.

NorthPoint provides generation and load management services for SaskPower by coordinating the utility generation output. This revenue is recognized as it is earned and is included in SaskPower services revenue.

NorthPoint acts as an agent of SaskPower and is responsible for the performance of electricity trading functions related to the generation assets of SaskPower, both in order to realize savings from import purchases and export contributions. NorthPoint receives commissions for the performance of this service. Commission revenue is recognized as the electricity trades are conducted and is included in SaskPower services revenue.

NorthPoint provides gas management services for SaskPower by coordinating and balancing SaskPower's natural gas requirements, managing injections to and withdrawals from SaskPower's natural gas storage assets, and managing natural gas price risk with physical and financial hedging activity. NorthPoint acts as an agent of SaskPower and is responsible for the performance of gas purchasing functions related to the natural gas storage assets of SaskPower. Costs of gas purchases are not recorded by NorthPoint, as SaskPower continues to be responsible for all financial obligations relating to natural gas purchases and hedging activity. Gas management revenue is recognized as it is earned and is included in SaskPower services revenue.

(c) Foreign currency translation

Revenue and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the statement of financial position date. Any resulting foreign currency translation gains and losses are included in the statement of comprehensive income and retained earnings in the current period.

(d) Cash and cash equivalents

Cash and cash equivalents include short-term investments made by SaskPower on NorthPoint's behalf that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(e) Financial instruments

NorthPoint classifies its financial instruments into one of the following categories: held-for-trading, loans and receivables, and other liabilities *(Note 8)*. All financial instruments are measured at fair value on initial recognition and recorded in the statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value, with changes in fair value recognized in the statement of income in the line item to which the financial instrument is related. Financial instruments classified as loans and receivables as well as other liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial assets and financial liabilities are presented net when NorthPoint has a legally enforceable right to set off the recognized amounts and NorthPoint intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments are utilized by NorthPoint as part of its electricity trading activities. All derivative contracts are recognized as a financial asset or a financial liability on the trade date with the related income or expense on the settlement of sales or purchases of derivatives recorded in electricity trading revenue or expense, respectively. NorthPoint has chosen not to designate its derivative instruments as hedges and as such all derivative financial instruments are classified as held-for-trading and recorded at fair value on the statement of financial position as risk management assets and liabilities with subsequent changes in fair value recognized in the statement of income.

NorthPoint has elected to record embedded derivatives only for contracts or risk management instruments entered into or modified after January 1, 2003. As at December 31, 2009, NorthPoint does not have any outstanding contracts or risk management instruments with embedded derivatives that are required to be separately valued.

NorthPoint has no other comprehensive income or loss transactions during the year and no opening or closing balance of accumulated other comprehensive income (loss).

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation has classified the fair valuation of its financial instruments as level 1, 2, or 3 as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access. The fair values for cash and cash equivalents were based on carrying value as an approximation of market value due to the short time frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Electricity trading fair values were determined using independent pricing information from external market providers.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

(f) Employees' future benefits

NorthPoint provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. Under the defined contribution pension plan, NorthPoint's obligations are limited to contributions made for current service. When made, these contributions are charged to income. Defined benefit pension plan benefits are provided by SaskPower to eligible employees.

NorthPoint provides defined contribution and defined benefit severance plans for substantially all employees. NorthPoint's obligations are limited to making regular contributions to SaskPower in respect of severance plan benefits.

NorthPoint provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. NorthPoint's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

(g) Future accounting policy changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board and the Public Sector Accounting Board have confirmed that enterprises such as NorthPoint will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

NorthPoint continues to make progress on its IFRS conversion project and has developed a high level IFRS implementation plan. An external advisor was engaged by SaskPower to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS.

3. Change in accounting policies

Financial instruments – disclosure

Effective December 31, 2009, NorthPoint adopted the changes to Canadian Institute of Chartered Accountants Section 3862, "Financial Instruments – Disclosures," regarding the disclosure of fair value techniques. The disclosure can be found in *Note 8*.

4. Electricity trading revenue by geographic location (in thousands)

	2009	2008
Canada	$ 35,715	$ 47,456
United States	37,577	75,704
Electricity trading revenue	$ 73,292	$ 123,160

Revenue is attributable to countries based on the location of counterparties.

5. Share capital (in thousands)

	#	2009	#	2008
Authorized				
Unlimited Class A non-cumulative, voting common shares				
Issued				
Class A				
Issued and outstanding, beginning of year	**10,000**	**$ 10,000**	10,000	$ 10,000
Issued during the year for cash	–	–	–	–
Issued and outstanding, end of year	**10,000**	**$ 10,000**	10,000	$ 10,000

All shares are held by the parent corporation, SaskPower.

6. Employees' future benefits (in thousands)

NorthPoint contributed $493 (2008 - $443) to the plans described in *Note 2(f)*.

7. Related party transactions (in thousands)

Included in these financial statements are various related party transactions, substantially all of which are with SaskPower. NorthPoint also has a variety of other transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to NorthPoint by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Included in prepaid expenses and deposits are certain costs related to NorthPoint's occupancy of space leased by SaskPower. The costs of $457 are being amortized over a five-year period, being the term of the SaskPower lease. The carrying value at December 31, 2009, is $297. The rental charge from SaskPower is included in administration expense in the table below.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2009	2008
SaskPower services revenue	**$ 6,299**	$ 7,407
Electricity trading expense	**982**	189
Administration expense	**6,973**	6,074
Due from SaskPower	**916**	2,535
Dividends payable	**3,356**	16,562

In addition, NorthPoint pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

8. Financial instruments (in thousands)

The following summarizes the carrying amounts and fair values of NorthPoint's financial instruments:

At December 31			2009		2008	
			Asset (liability)		Asset (liability)	
Financial instrument	**Classification[4]**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	HFT[1]	1	**$ 23,497**	**$ 23,497**	$ 33,380	$ 33,380
Accounts receivable	L&R[2]	N/A	**3,879**	**3,879**	6,338	6,338
Due from SaskPower	L&R[2]	N/A	**916**	**916**	2,535	2,535
Financial liabilities						
Accounts payable and accrued liabilities	OL[3]	N/A	**$ (7,279)**	**$ (7,279)**	$ (9,363)	$ (9,363)
Dividends payable	OL[3]	N/A	**(3,356)**	**(3,356)**	(16,562)	(16,562)

Risk management assets and liabilities

The following summarizes the market value gains and losses on NorthPoint's risk management activities:

At December 31			2009		2008		2009
							Market value gains
Classification[4]		**Level[5]**	**Asset**	**Liability**	Asset	Liability	**(losses)**
Electricity trading contracts							
Forwards	HFT[1]	2	**$ –**	**$ –**	$ 388	$ (248)	**$ (140)**
Contracts for differences	HFT[1]	2	**–**	**–**	81	(321)	**240**
Risk management instruments			**$ –**	**$ –**	$ 469	$ (569)	**$ 100**

As at December 31, 2009, there were no forward electricity trading contracts held for trading.

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. NorthPoint has not classified any of its financial instruments as either held-to-maturity or available-for-sale.
5. Fair values are determined using a fair value hierarchy as follows:
   Level 1 – Quoted prices in active markets for identical assets or liabilities.
   Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.
   Level 3 – Inputs for the asset or liability that are not based on observable market data.
   Not applicable (N/A) - Financial instruments, including accounts receivable; due from SaskPower; accounts payable and accrued liabilities; and dividends payable are carried at values which approximate fair value due to the short period to maturity.

9. Financial risk management (in thousands)

Market risk

Electricity trading contracts

NorthPoint is exposed to electricity price risk on its electricity trading activities. NorthPoint has a Risk Management Manual which governs the commodity transactions undertaken in its proprietary trading business. Electricity trading risks are subject to limits and controls, including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated maximum loss that could be incurred over a specified period of time. VaR is used to determine the potential change in value of NorthPoint's proprietary portfolio, over a 10-day period within a 95% confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/covariance approach.

VaR is a measure that has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period, however, this may not be possible if the market becomes illiquid.

NorthPoint recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, and volumetric and term limits.

Changes in market prices associated with proprietary trading activities affect net income in the period that the price changes occur. VaR at December 31, 2009, associated with NorthPoint's proprietary trading activities, was nil as there were no electricity trading contracts held for trading.

Foreign exchange

By virtue of its operations, NorthPoint is exposed to changes in the United States/Canadian dollar exchange rate. NorthPoint purchases electricity from and sells electricity to the United States market and must recognize translation gains and losses based on the exchange rate in effect at the transaction date. NorthPoint's sensitivity to changes in the U.S. dollar is immaterial and, therefore, has not provided a sensitivity analysis of the impact on net income.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

NorthPoint maintains strict credit policies and limits in respect to counterparties, including regional transmission operators. The maximum credit risk to which NorthPoint is exposed as at December 31, 2009, is limited to the fair value of the financial assets recognized as follows:

Financial assets		**2009**		2008
Cash and cash equivalents	**$**	**23,497**	$	33,380
Accounts receivable		**3,879**		6,338
Risk management assets		**–**		469
	$	**27,376**	$	40,187

(a) Cash and cash equivalents include short-term investments made by SaskPower on NorthPoint's behalf that have a maturity date of 90 days or less from the date of acquisition. Short-term investments are invested in accordance with Board-approved credit policies and limits in respect to short-term investments. The credit risk related to these investments is considered low.

(b) For the year ended December 31, 2009, sales to three significant customers comprised 81% (2008 – three significant customers comprised 80%) of electricity trading revenue. At year-end, receivables from three customers comprised 65% (2008 – three customers comprised 72%) of total outstanding receivables. These amounts have been subsequently received.

(c) NorthPoint is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. NorthPoint maintains Board-approved credit policies and limits in respect to its counterparties.

Liquidity risk

Liquidity risk is the risk that NorthPoint is unable to meet its financial commitments as they become due or can do so only at excessive cost. NorthPoint manages cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of NorthPoint's financial liabilities:

			Contractual cash flows				
Financial liabilities	**Carrying amount**	**Contractual cash flows**	**0 - 6 months**	**7 - 12 months**	**1 - 2 years**	**3 - 5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 7,279	$ 7,279	$ 7,279	$ –	$ –	$ –	$ –
Dividends payable	3,356	3,356	3,356	–	–	–	–
	$ 10,635	$ 10,635	$ 10,635	$ –	$ –	$ –	$ –

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

10. Capital management

NorthPoint's objective when managing capital is to ensure adequate capital to support the operations and growth strategies for the Corporation. NorthPoint receives its long-term capital funding primarily from SaskPower.

NorthPoint's capital structure consists of share capital (2009 - $10,000; 2008 - $10,000) and retained earnings (2009 - $8,605; 2008 - $8,232).

11. Commitments and contingencies (in thousands)

(a) At 2009 year-end, NorthPoint had commitments for electricity purchases of nil (2008 - $11,164) and electricity sales of nil (2008 - $15,196). Electricity purchases include nil (2008 - $11,164) and electricity sales include nil (2008 - $5,084) of transactions denominated in U.S. dollars. These contracts are considered risk management instruments, and changes in their fair value are included in net income.

(b) NorthPoint has issued letters of credit in the amount of $878 (2008 - $862) to certain counterparties under contractual arrangements. If NorthPoint does not pay amounts due under such contracts, the counterparty may present its claim for payment to the financial institution through which the letter of credit was issued. Any amounts owed by NorthPoint are reflected in the statement of financial position. The letters of credit do not contain recourse provisions nor does NorthPoint hold any assets as collateral against the guarantees issued. All letters of credit expire within one year and are expected to be renewed, as needed, through the normal course of business. No amounts (2008 – nil) have been exercised by third parties under these arrangements.

(c) A market administrator has advised NorthPoint of actions that took place in 2008 and early 2009 that, in its opinion, are not fully compliant with the rules that apply to electricity trading in that market. NorthPoint and the market administrator have entered into a settlement agreement that is subject to final approval. The Corporation has recorded a provision of its best estimate of the final settlement amount. The final outcome could be materially different from the estimate.

12. Comparative figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

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